Is My Building Worthy?

Top 10 Feasibility Factors Facing Rehabilitation Tax Credit Projects

2015 New York Statewide Preservation Conference
Geneva, NY April 17, 2015

PRESERVATION STUDIOS

AIA Rochester

A001

ROC2015-**Is My Building Worthy? Top 10 Feasibility Factors Facing Historic Tax Credit Projects in Upstate New York**

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April 17, 2015

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Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.

Course Description

This session will discuss various threshold feasibility issues facing HTC projects (including National Register-eligibility issues, design and code challenges, investment hurdles, environmental legacies, etc.) and strategies for successfully navigating those roadblocks.

Learning Objectives

At the end of the this course, participants will be able to:

1) Participants will be able to judge whether proposed work in a rehabilitation project will meet the requirements for historic tax credits.
2) Participants will be able to determine whether or not, given the available tax credit and the market for specific uses, the proposed project is economically viable.
3) Participants will be able to predict, avoid, and/or react to building design and code challenges that may arise during a rehabilitation of this nature.
4) Participants will be able to plan strategies to secure funding to finance and develop community support for projects of this nature.

The RTC Program: An Overview

- Jason Yots -

Why Do We Need Preservation Incentives in Upstate New York?

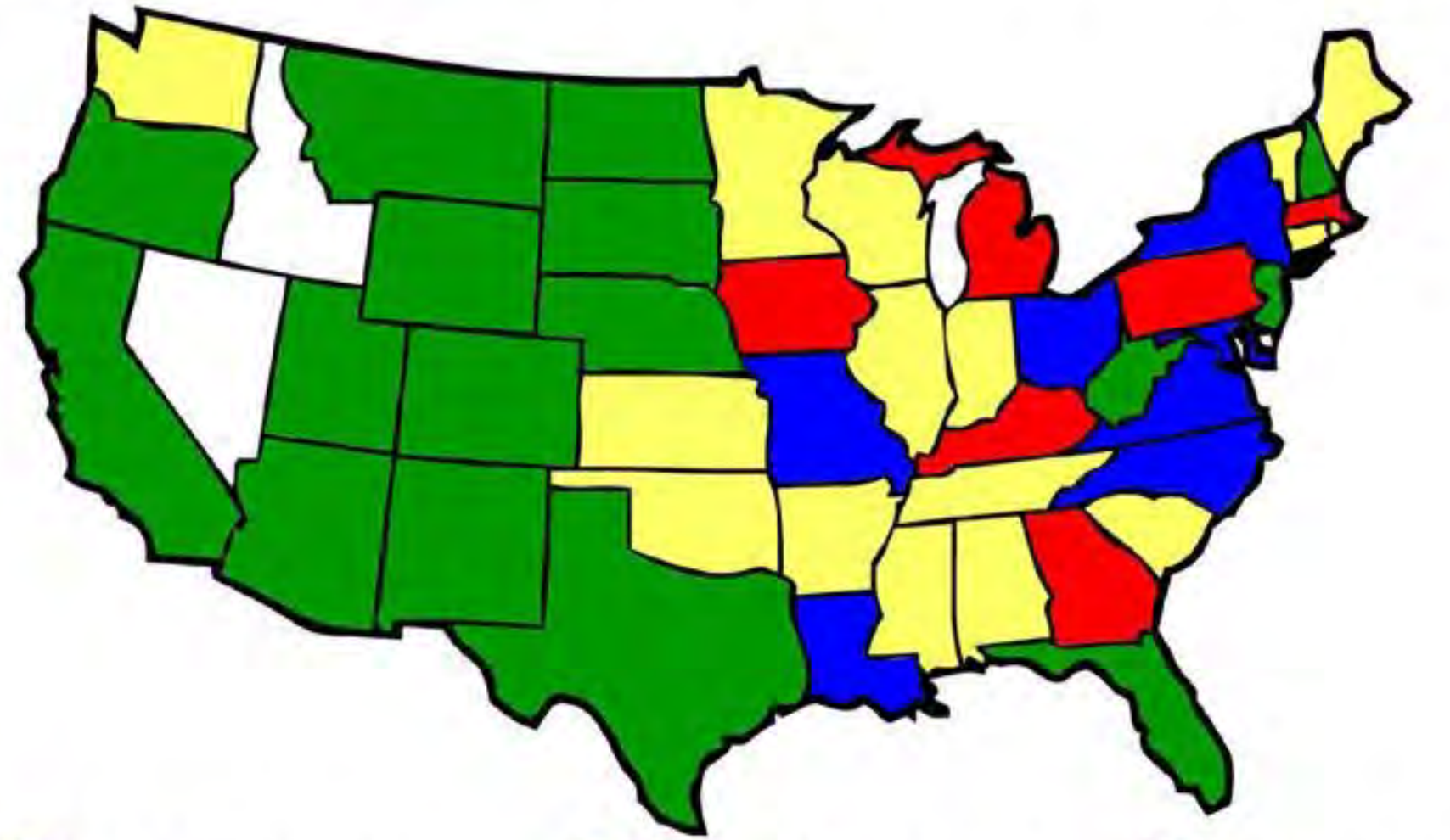
Cunningham Carriage Factory
Rochester, NY
Photos: Michael Puma

Rehabilitation Tax Credits - 1977-2014

$73.8 Billion	Total RTC Investment
2.47 Million	Total Jobs Generated
504,297 (27%)	Housing Units ('Affordable')

Approved Projects FY 2014

1156 proposed projects representing almost $6 billion in rehabilitation work



$4.32

RTC Investment (Billions)

Rehabilitation Tax Credits - 2014

19,786

Housing Units Created With RTCs

Rehabilitation Tax Credits - 2014

33%

Percentage of Housing = “Affordable”

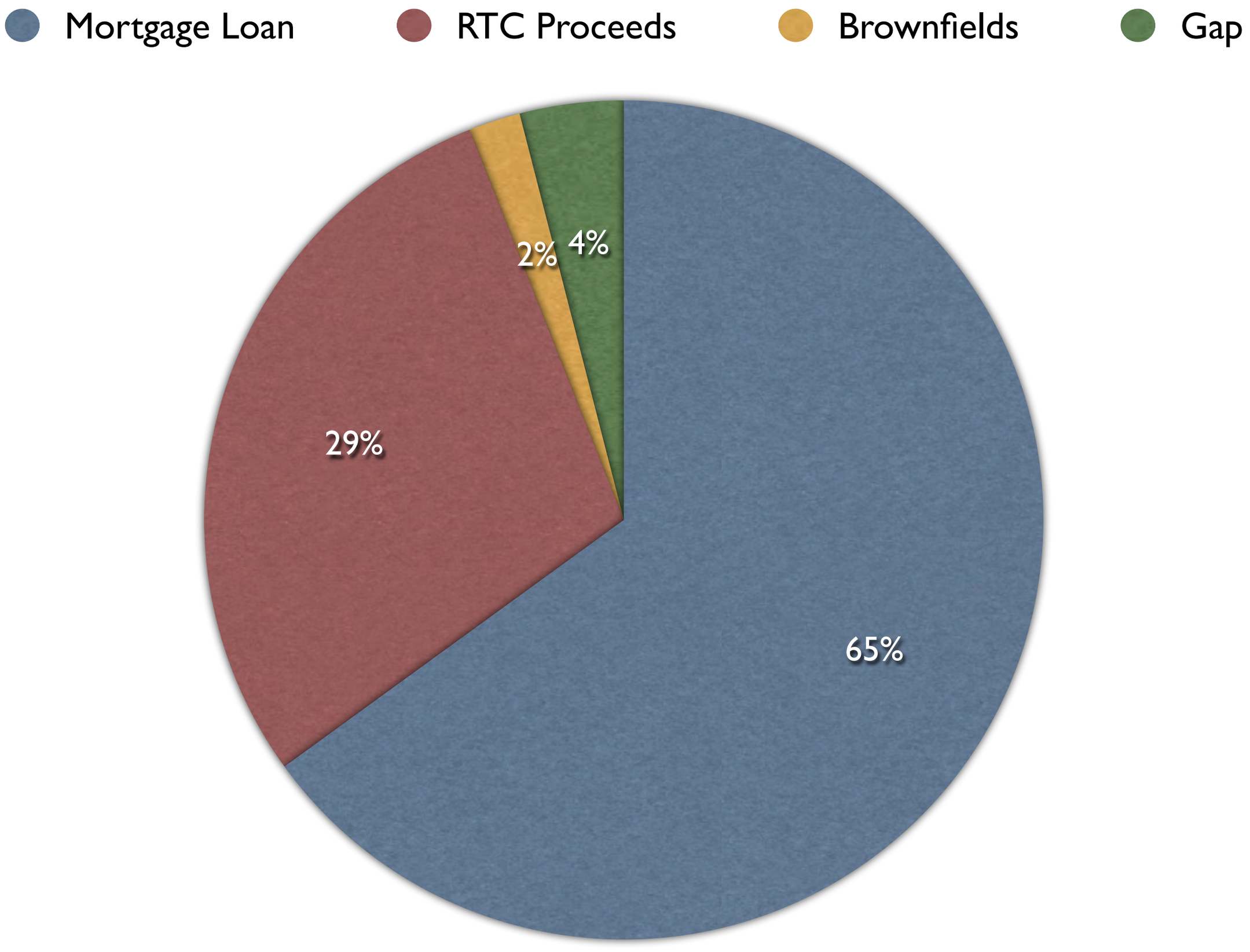
Rehabilitation Tax Credits - 2014

77,762

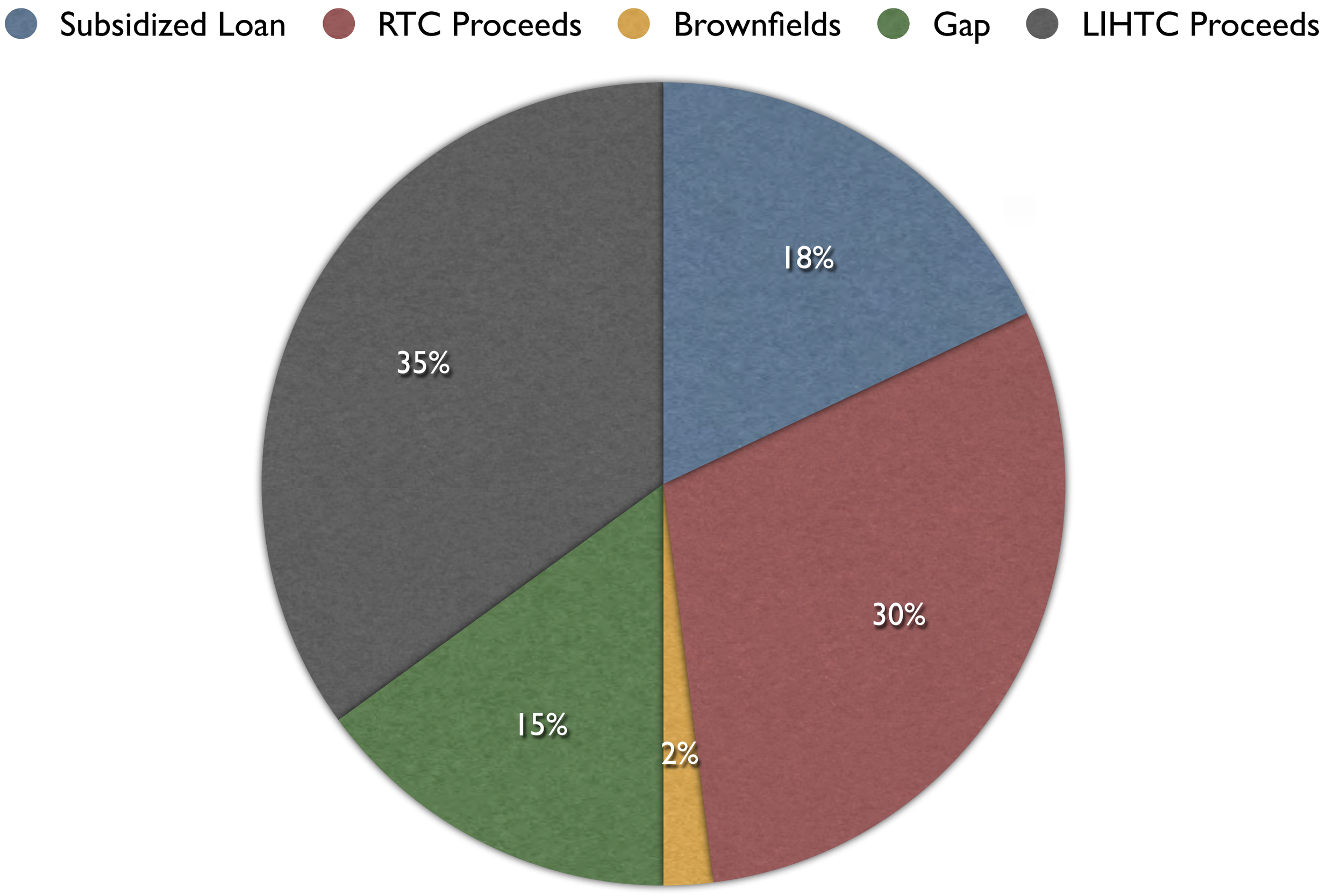
U.S. Jobs Created By RTC Program

Rehabilitation Tax Credits - 2014

Impact of RTCs - Market-Rate Project



Impact of RTCs - Affordable Housing Project



Top 10 Feasibility Factors Facing RTC Projects in Upstate NY

Factor #1 - Compromised “Integrity”

- Derek King -

National Register of Historic Places

Historic Buildings have:

- Significance
- Integrity
- And are typically at least 50 years old

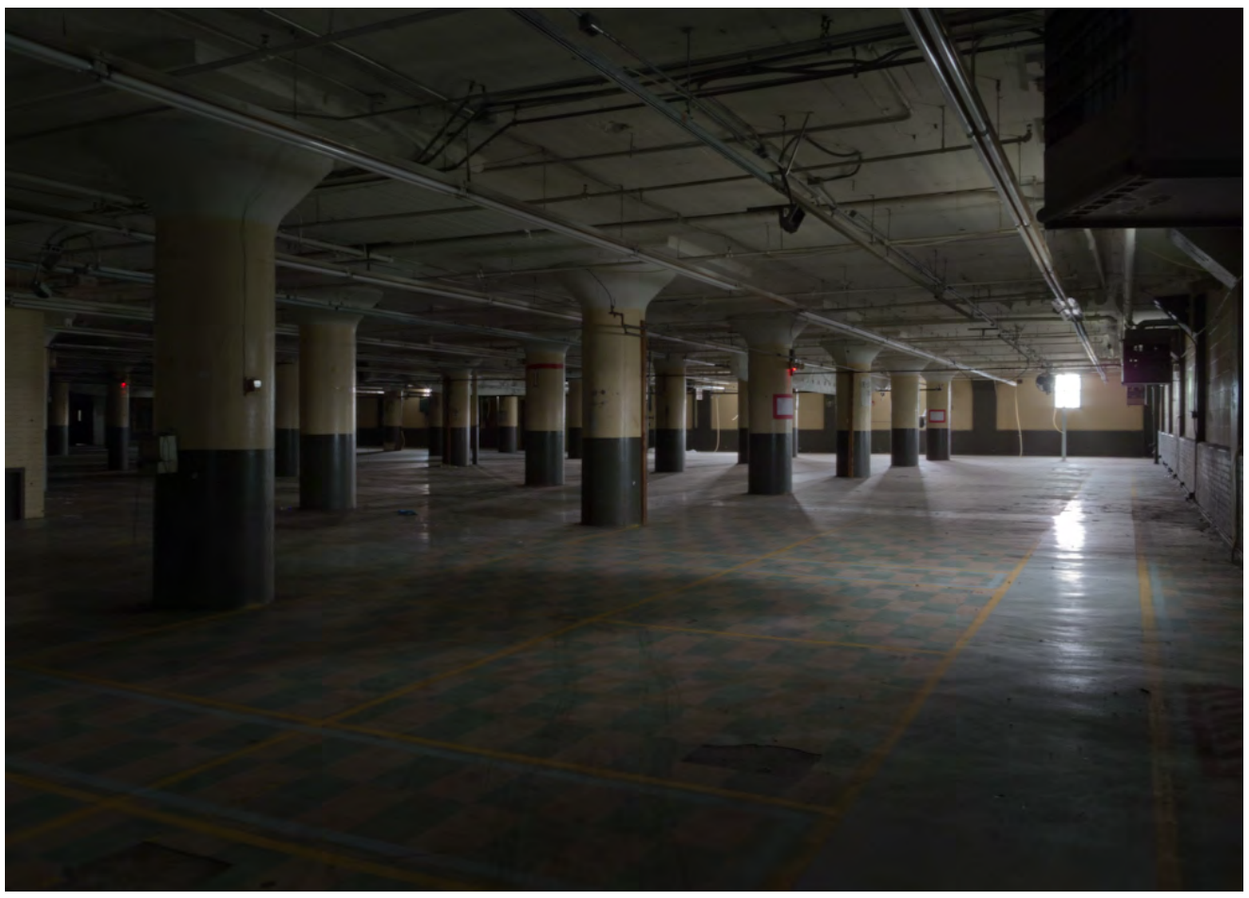
Four Criteria for Significance

- A: Association with pattern of events
- B: Association with an individual
- C: Association with architectural style or work of a master
- D: Potential to yield information (Archaeology)

Seven Points of Integrity

FACTORY "A"

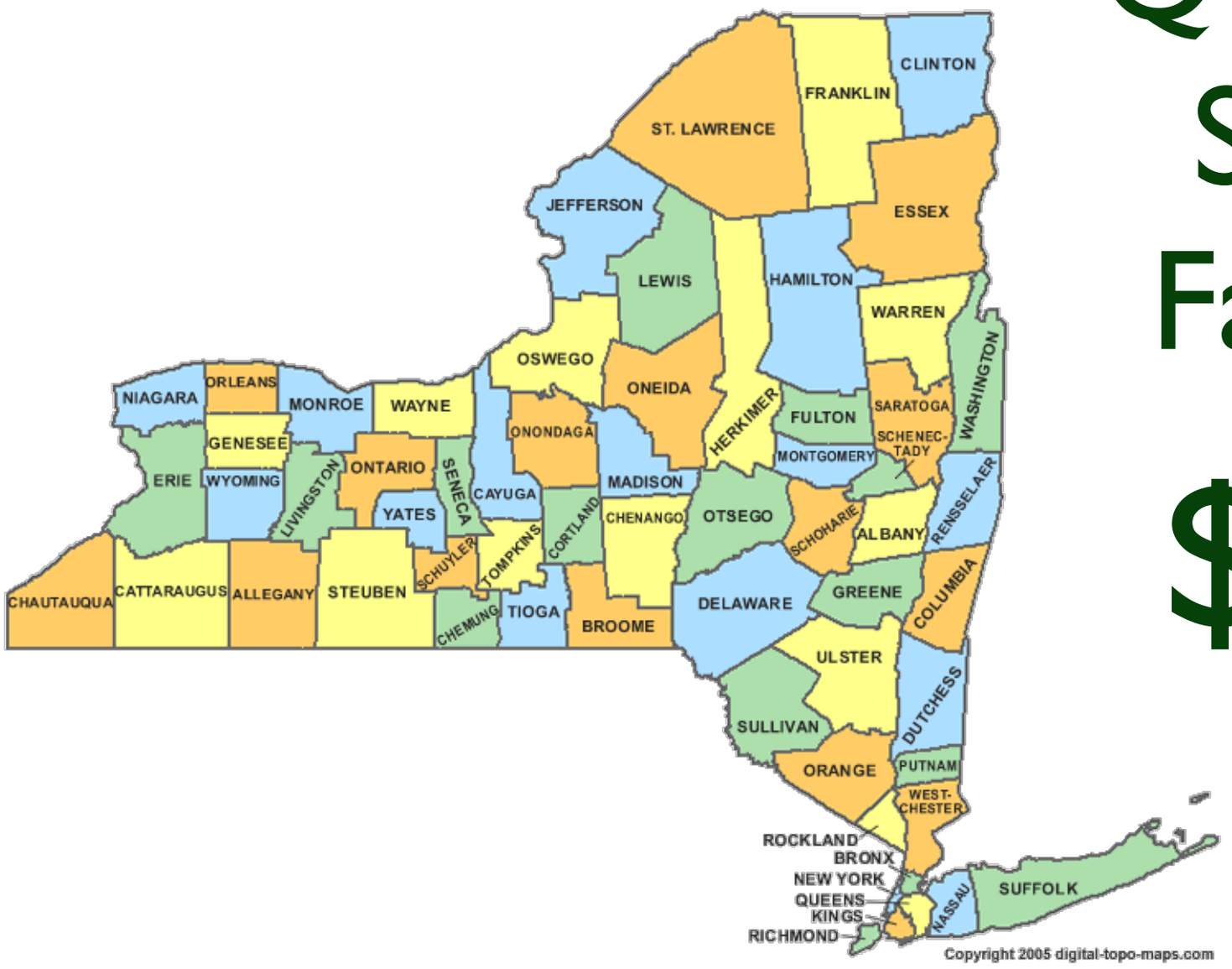
LOCATED AT THE CORNER OF SENECA AND HAMBURG STREETS, BUFFALO, N.Y. THE OFFICES AND SALESROOMS ARE LOCATED IN THIS PLANT



- Location
- Design
- Setting
- Materials
- Workmanship
- Feeling
- Association

Factor #2 - Project Is Not Located In A "QCT"

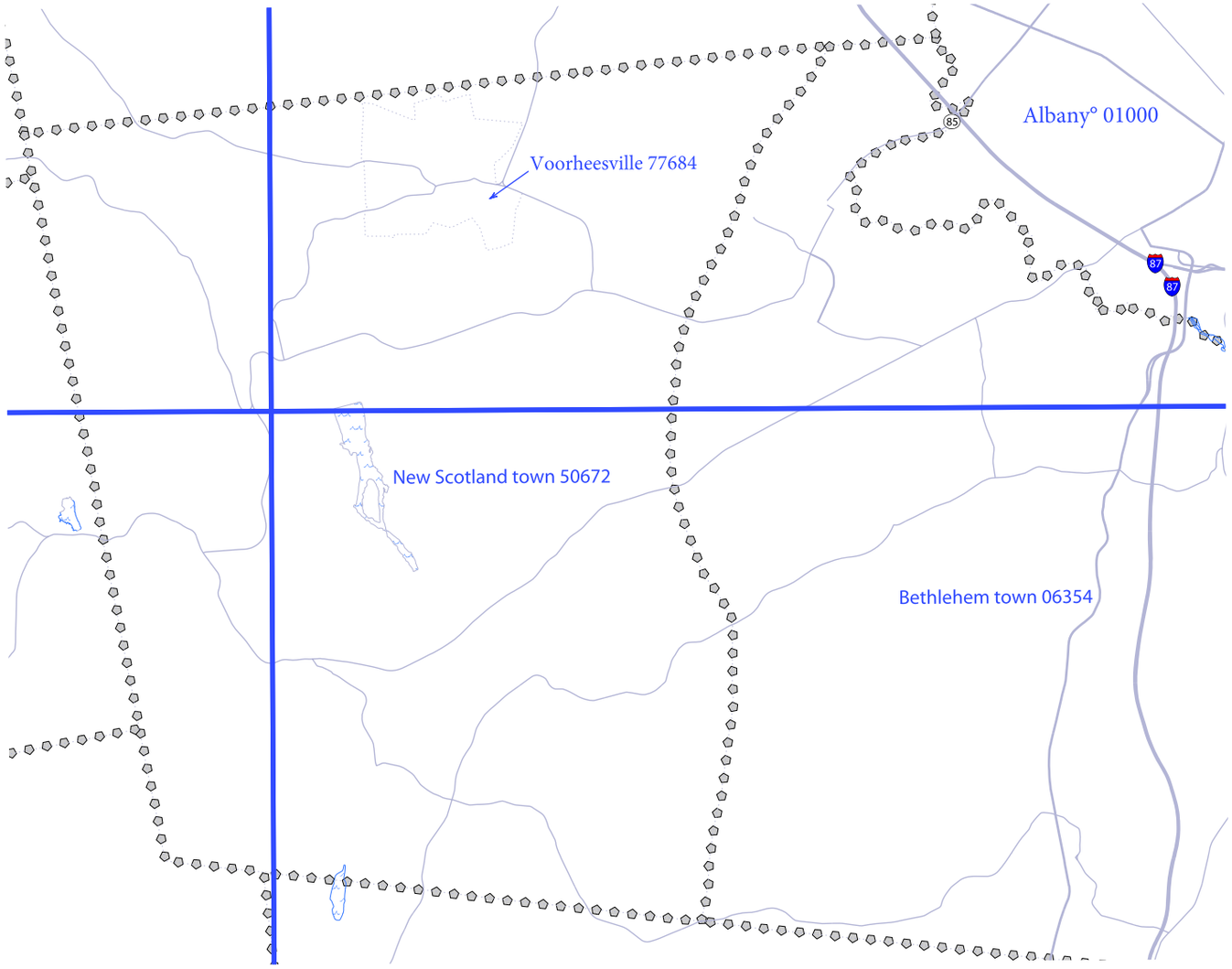
- Derek King -



QCT ≤ 100% of State Median Family Income

$58,000+

* Source: American Community Survey, U.S. Census Bureau



Is My Property in a QCT?

nysparks.com/shpo/tax-credit-programs

Factor #3 - Adapting Large Volumes To Denser Uses

- Mike Puma -

Project Architect: SWBR

DOI Standard No. 2

The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided

- NPS currently does not allow the main volume of the church to be divided significantly

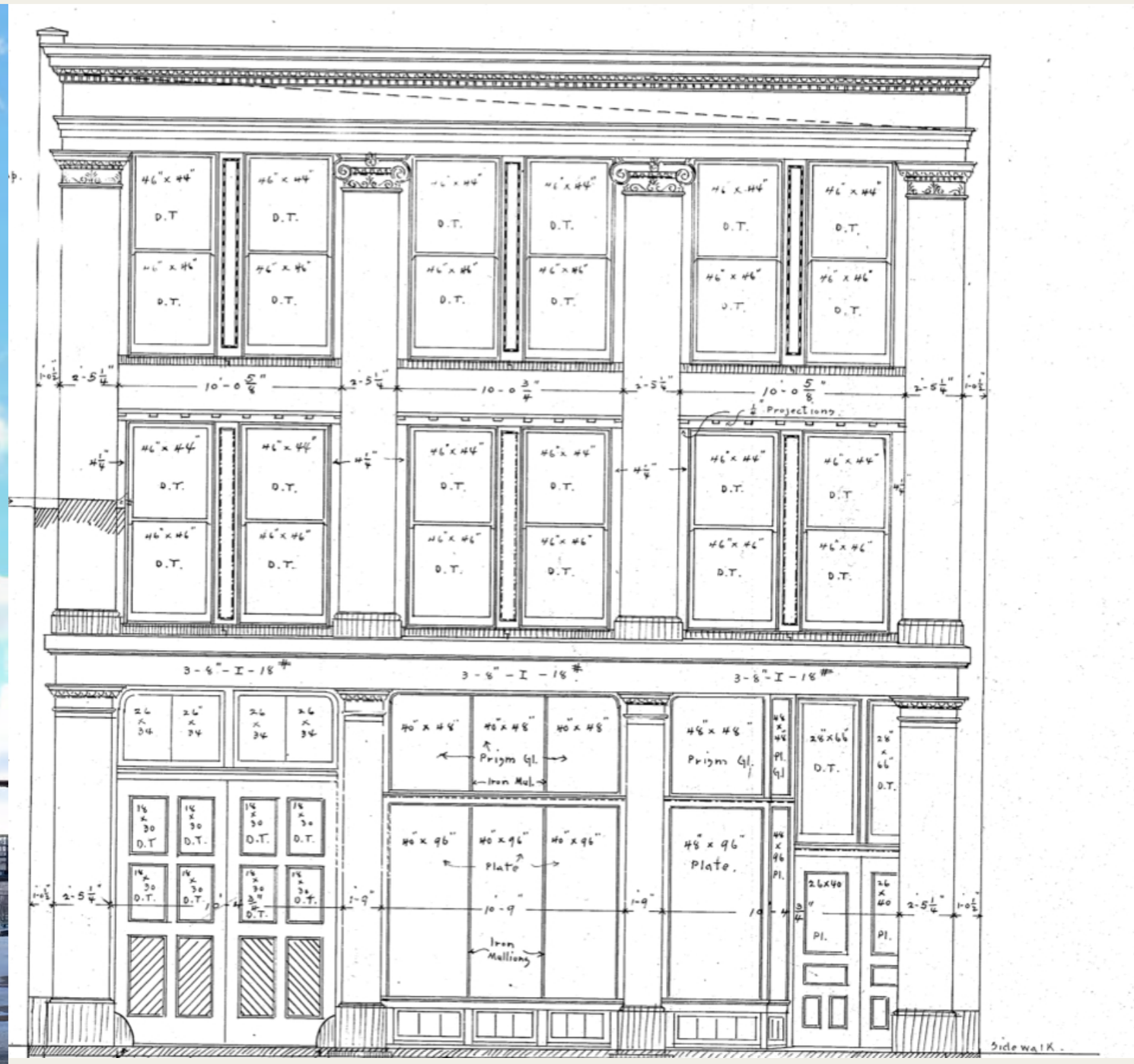
- Although this present problems when attempting housing in a church, there are some creative solutions

EXIT

Factor #4 - Windows and New Openings

- Mike Puma -

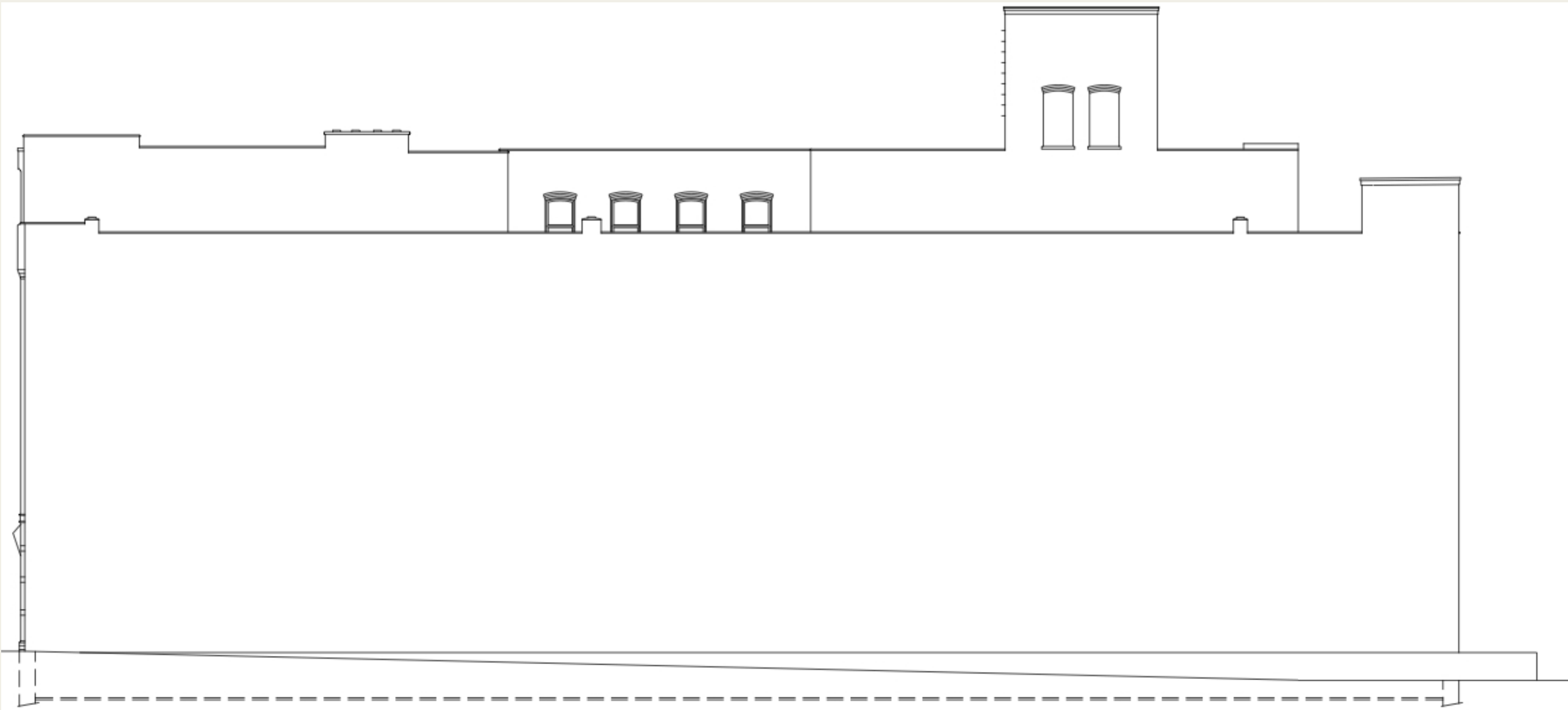
Project Architect: Buffalo Design Collaborative



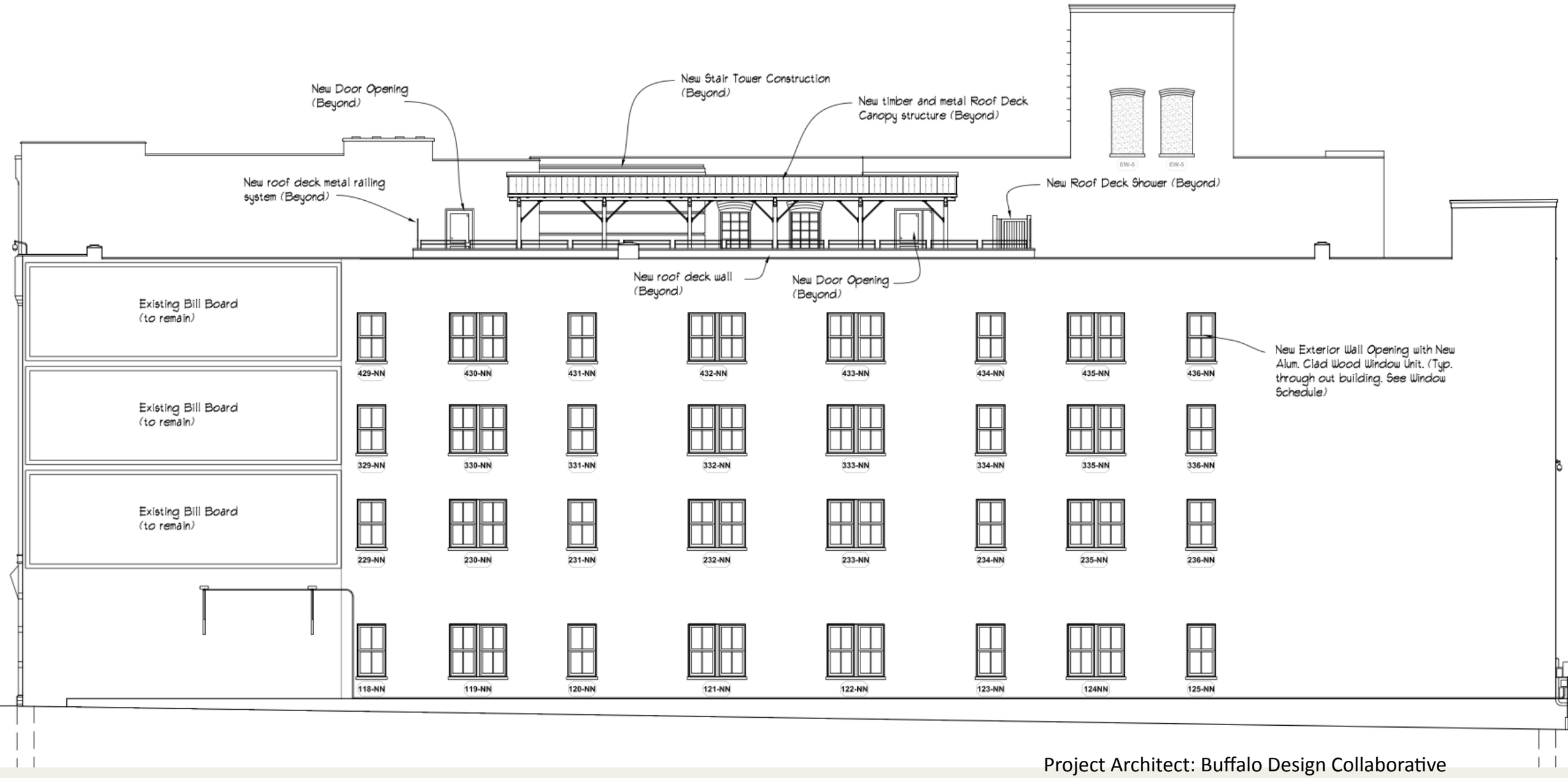
TONCAN
IRON
REPUBLIC STEEL CORPN

Project Architect: Buffalo Design Collaborative

Project Architect: Buffalo Design Collaborative



Project Architect: Buffalo Design Collaborative



Project Architect: Buffalo Design Collaborative

Factor #5 - Tax-Exempt Uses

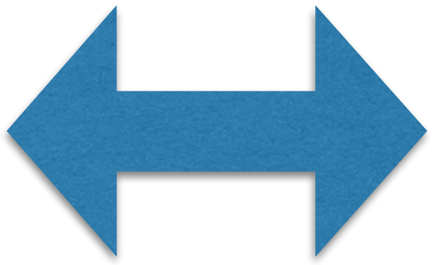
- Jason Yots -

Common Tax-Exempt Use Scenarios

Not-for-profit developer buys historic building and adapts it to a new use for third parties, such as affordable housing, community service space, offices, etc.

Generally OK

Combination of



Facts & Circumstances

Not-for-profit organization renovates its long-time headquarters and continues to occupy the historic building post-rehab.

Generally Not OK

Common Tax-Exempt Issues

Tax-exempt
(charitable) status

Unrelated business
income tax

Tax-exempt
grants/loans

Real property
tax exemptions

Factor #6 - Syndicating Small Projects

- Jason Yots -

Average RTC Project Size, 2014

$5.67

Million

Small Deal Syndication Outlook

Refundable NY RTC

RTC "safe harbor"

Small deal funds

Rust Belt rebound

Revolving loan funds

Regional banks

Factor #7 - Additions

- Mike Puma -

DOI Standard No. 9

New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

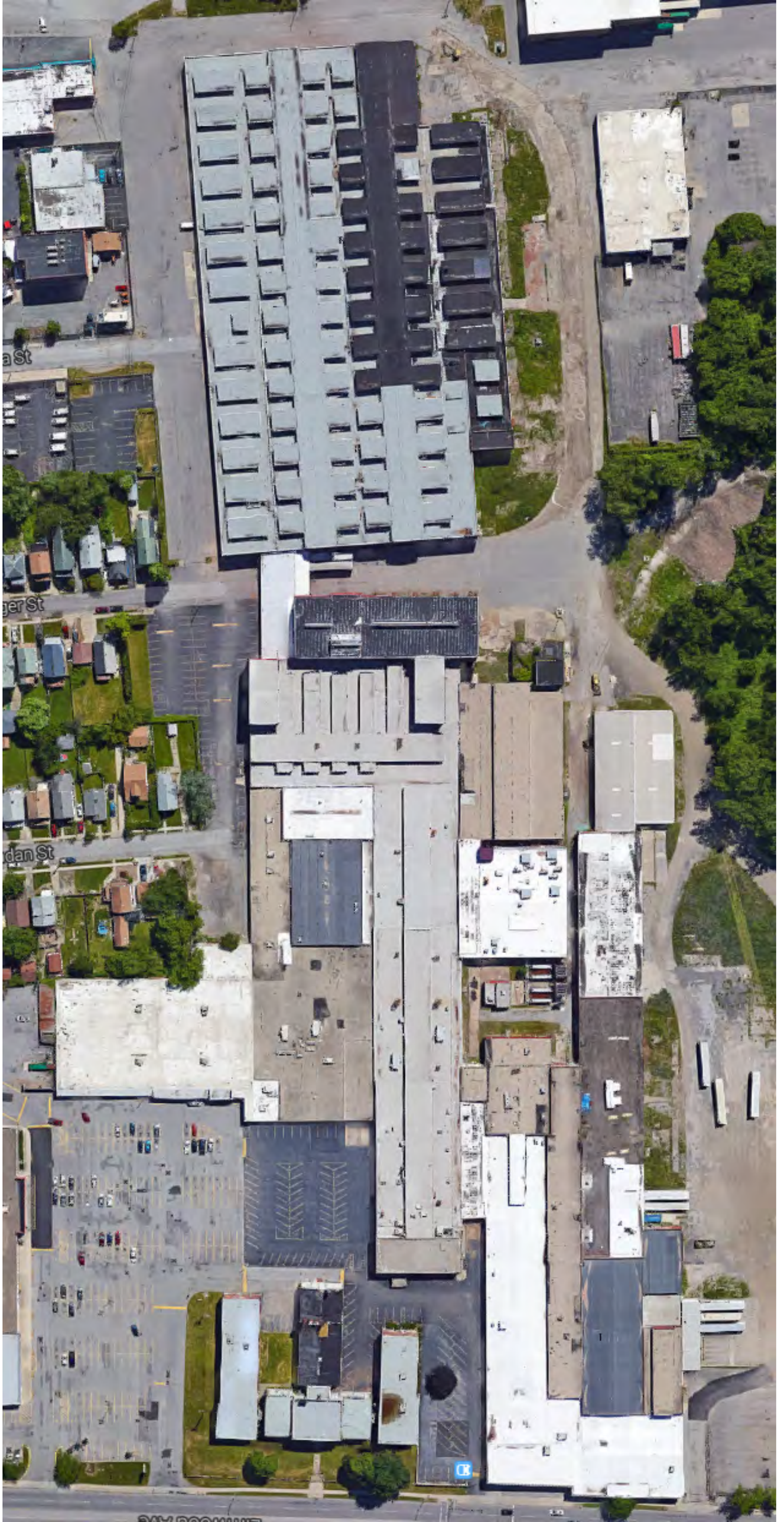
DOI Standard No. 10

New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Factor #8 - Nominating Buildings Within A Complex

- Derek King -

BUFFALO BAG COMPANY
877-8507
877-8507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ger St
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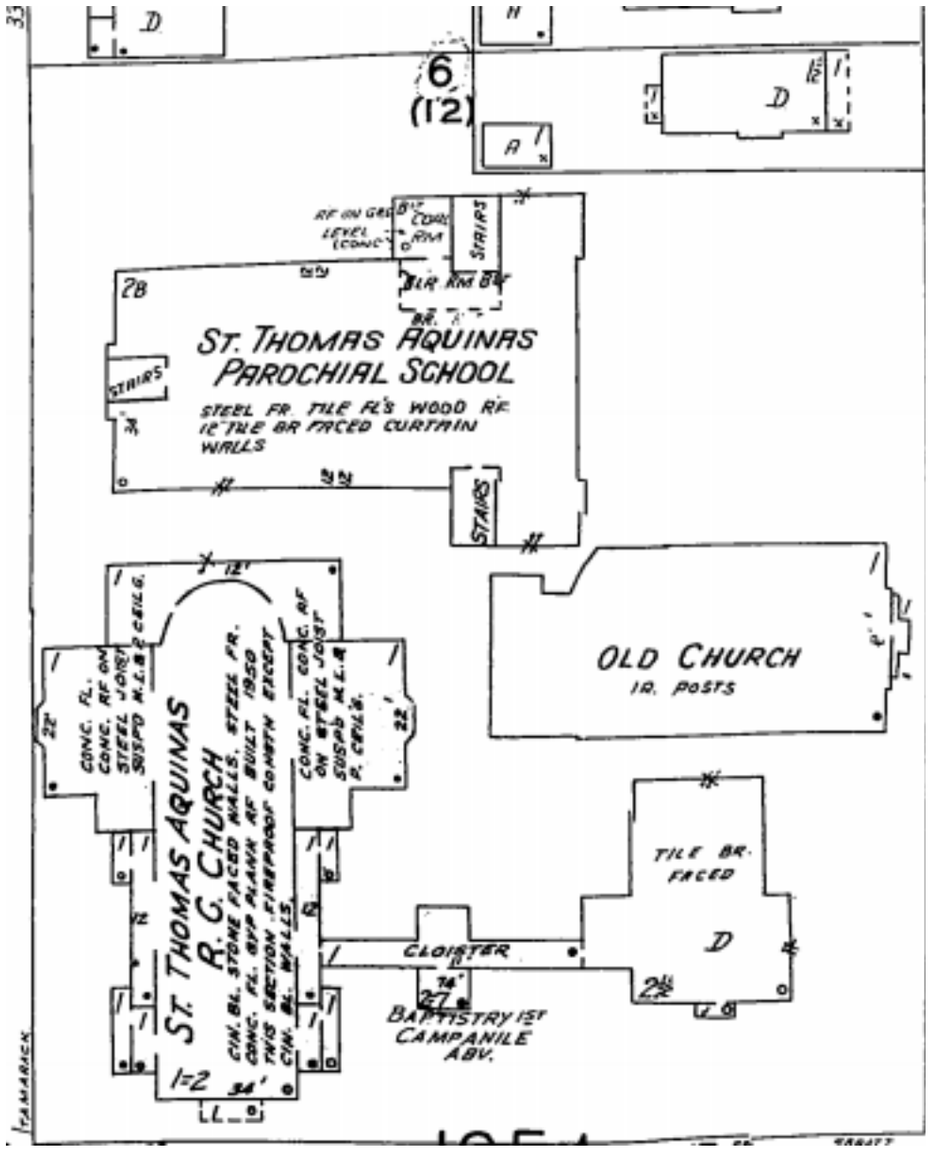
St. Rose of Lima
Parish founded 1925
School founded 1926
A Respect Life Community


ST. THOMAS AQUINAS
PAROCHIAL SCHOOL
STEEL FR. TILE FL'S WOOD RF.
12" TILE BR FACED CURTAIN
WALLS
STAIRS
OLD CHURCH
IR. POSTS
ST. THOMAS AQUINAS
R.G. CHURCH
TILE BR.
FACED
CLOISTER
BAPTISTRY 1ST
CAMPANILE
ABV.
6
(12)
D
A
1=2

Factor #9 - Substantial Rehabilitation Test

- Jason Yots -

QREs = Hard Costs *Plus* Soft Costs *Plus* Developer Fee

Must Exceed

Adjusted Tax Basis = Purchase Price *Minus* Depreciation *Plus* Capital Imprvmts

Factor #10 - Team

- Jason Yots -

Yes

No

This concludes The American Institute of Architects
Continuing Education Systems Course

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